

Interim report, *January - March*

XMReality 2021



XMReality AB (publ) Interim report, January–March 2021

The Annual Recurring Revenue (ARR) increased by 95 percent. Net sales during the quarter rose by 68 percent with a corresponding cost growth of 16 percent.

January – March 2021

- Net sales amounted to SEK 5 845 thousand (3 483).
- Costs totaled SEK -12 598 thousand (-10 856).
- The operating loss before appropriations was SEK -6 254 thousand (-6 600).
- Cash flow for the period was SEK 50 408 thousand (28 985) and equity/assets ratio at the end of the period was 81,6 (71,6) percent.

The growth in Net Sales was 68 percent. The corresponding cost growth was only 16 percent which shows a very nice scalability. The Annual Recurring Revenues (ARR) rose 95 percent to SEK 19 400 thousand (9 926). The absolute majority of the revenues is continued recurring software subscriptions. The gross margin remained high and 90 percent for the quarter.

Order Intake grew with 26 percent to SEK 7 137 thousand (5 653). In terms of cash flow, the company was positively affected primarily as a result of the completed new share issue. Cash and cash equivalents amounted to SEK 69,023 thousand at the end of the quarter.

Notable events during the quarter January – March 2021

- Panasonic Homes use XMReality to enter New Zealand housing market. Panasonic Homes, a subsidiary to Panasonic Corp., are active within the housing business with an expertise in home construction. They recently undertook their first project outside of Asia with a delivery of a prefabricated prototype home.
- XMReality received approximately SEK 56.3 million through a heavily oversubscribed new share issue. The Board of XMReality AB has, with the support of authorization from the Annual General Meeting on April 27, 2020, decided on a directed new share issue of approximately 6.8 million shares to Investment Aktiebolaget Spiltan, Adrigo Small & Midcap and about thirty qualified private investors and family offices.
- XMReality signs a three-year contract with Heineken, one of the top three brewing companies in the world. XMReality has signed a three-year software subscription contract with Heineken. The contract is worth SEK 2.2 million over a three-year period. The prioritized use cases are equipment diagnostics, technical support and training, auditing, installation, and commissioning.
- XMReality released several new product features where the most notable new functionality is a fully web-based solution, i.e. runs in the browser without the need to download any software.

Notable events after the end of the period

- Kongsberg Precision Cutting Systems, a manufacturer of state-of-the-art digital cutting systems used for precision cuts at high speeds has signed a two-year software contract for XMReality Remote Guidance
- XMReality has received orders from a global food and beverage production company totalling 800 000 SEK. The orders cover annual software subscriptions with automatic renewal and contain as such no hardware. The amount is for the first year. The main use case is maintenance, covering both predictive and unscheduled work which might also include the original equipment manufacturer.

Message from the CEO



XMReality's CEO Jörgen Rimmelg

The first quarter of the year continue on the path set out in 2020. The demand for our solution remains high and practically unchanged, despite the fact that a significant portion of the industry is now starting to feel negative financial impacts from the protracted pandemic. Several industrial players experience a decline in demand, lack of components and difficulties with the supply of raw material. A shining exception is food production and its distribution, the associated packaging industry, where XMReality is strong as a result of our strategic focus on this particular sector.

Sales during the quarter were dominated by existing customers scaling up, as well as new industrial customers who started their Proof Of Concept (POC, or pilot). The exception is Heineken, which is the single largest deal during Q1. Our ambition with Heineken is additional sales, as the number of licenses sold initially will probably not cover the company's total needs. Examples of some major existing customers who have scaled up and purchased more licenses are Nestlé, ABB, Cytiva, and IMI. During the period we have received orders and started about a dozen POC's with good potential for subsequent substantial subscription contracts. Note that a POC is not accounted as ARR until a subscription contract is signed.

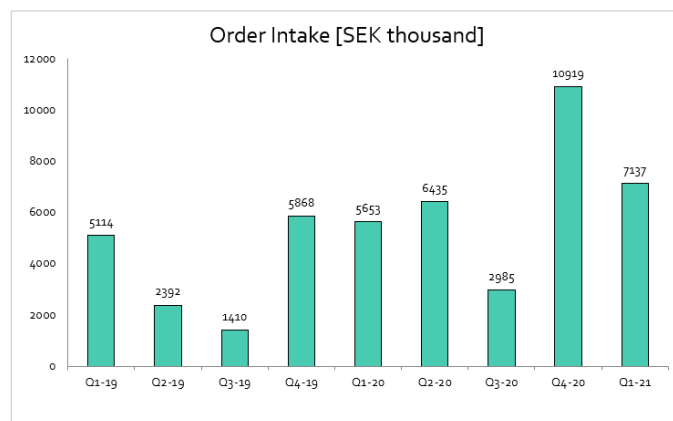
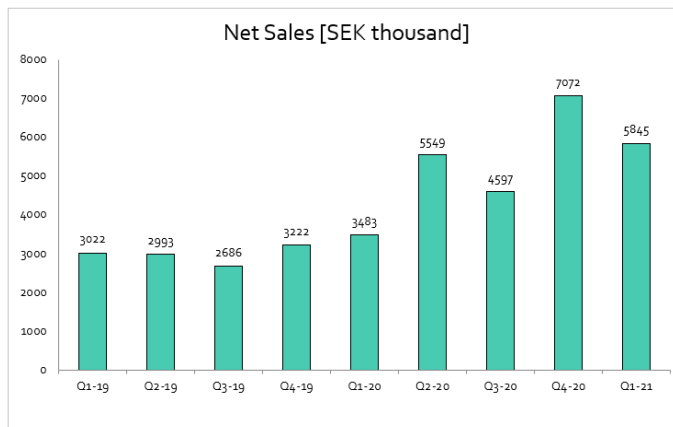
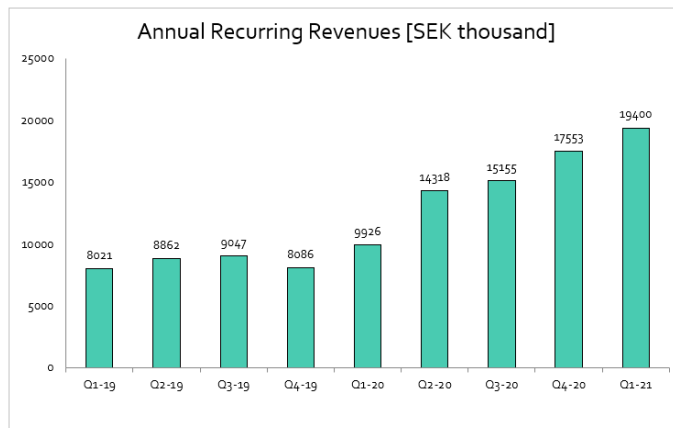
We have a continued strong focus on our SaaS business with ARR growth which YoY grew by 95 percent. During the current year we have actively started to follow our Net Retention, where both upsales and contraction are captured in addition to churn. In order to maximize Net Retention, we are now starting up a unit under the name 'Customer Experience' with growth in Net Retention as the primary focus. This unit will initially support eleven of our most important customers to achieve value creation with our product in the best and most efficient way.

The product releases we have made in the most recent quarters have been well received by our customers and the market, much a result of our Road Map being developed in dialogue with our major customers. Our latest product release included the possibility for customers to achieve full functionality without downloading any software. This means that they can now use their existing browsers to run their Remote Guidance. Hence, we

can now offer full functionality without the need to install an App and our larger customers can simplify upgrades of local PCs from central IT. This also allows for the product to be more accessible for Call Center applications.

The new share issue which was carried out during the quarter at a low capital raising cost, approximately 5 percent, means that we now have additional financial strength to implement good ideas which we have plenty of. However, I want to see that all these have a clear purpose to increase our top line. Looking forward, we are now well positioned!

Jörgen Rimmelg, CEO
Linköping 28 April 2021



Financial basis for the interim report, January – March 2021

Income statement (SEKk)

	January - March		Full year
	2021	2020	2020
Net sales	5,845	3,483	20,701
Capitalized production costs	499	702	2,224
Other operating income	1	71	209
Total income	6,344	4,256	23,133
Raw materials and consumables	-556	-285	-2,000
Other operating expenses	-5,361	-5,024	-20,290
Employee benefits expenses	-5,360	-4,340	-19,853
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	-1,319	-1,198	-4,996
Other operating costs	10	4	-618
EBIT	-6,243	-6,588	-24,623
Financial income and similar profit items	0	0	0
Financial expenses and similar loss items	-11	-12	-302
Profit(-loss) after net financial income	-6,254	-6,600	-24,925
Group contribution received	0	0	0
Income tax expense for the period	0	0	0
Profit(-loss) for the period	-6,254	-6,600	-24,925
Earnings per share, before and after dilution (SEK)	-0.18	-0.30	-0.80
Average number of shares during the period	35,691,333	21,786,111	31,063,699
Shares outstanding at the end of the period	40,920,000	34,100,000	34,100,000

Balance sheet (SEKk)

	31 Mar 2021	31 Mar 2020	31 Dec 2020
Assets			
Non-current assets			
Capitalized development costs	12,681	15,583	13,452
Equipment, tools and systems	296	363	345
Financial assets	51	320	51
Total non-current assets	13,028	16,267	13,847
Current assets			
Inventories	370	132	255
Current receivables	6,394	5,845	8,964
Cash and bank balances	69,023	38,333	18,615
Total current assets	75,786	44,310	27,834
Total assets	88,814	60,577	41,681
Equity and liabilities			
Equity	72,495	43,373	24,847
Non-current liabilities	50	258	50
Current liabilities ¹	16,269	16,946	16,784
Total equity and liabilities	88,814	60,577	41,681
¹ Of which interest-bearing liabilities	208	500	333
Collateral provided	3,700	3,700	3,700
Contingent liabilities	None	None	None

Statement of change in equity (SEKk)

	January - March		Full year 2020
	2021	2020	
Balance at the beginning of the period	24,847	20,273	20,273
New share issue (net of issue costs)	53,902	29,700	29,500
Profit(-loss) for the period	-6,254	-6,600	-24,925
Balance at the end of the period	72,495	43,373	24,847
Average number of shares during the period, ²	35,691,333	21,786,111	31,063,699
Shares outstanding at the end of the period ²	40,920,000	34,100,000	34,100,000

² New issue of 17,050,000 shares subscribed in March 2020..

New issue of 6,820,000 shares subscribed in February 2021

Statement of cash flow (SEKk)

	January - March		Full year 2020
	2021	2020	
Operating activities			
Cash flow (-used) before changes in working capital	-5,235	-5,718	-20,081
Change in working capital	2,240	6,091	2,784
Cash flow from (-used in) operating activities	-2,995	373	-17,297
Cash flow from (-used in) investing activities	-499	-702	-2,341
Cash flow from (-used in) financing activities	53,902	29,314	28,906
Cash flow from (-used in) the period	50,408	28,985	9,267
Cash and cash equivalents at the beginning of period	18,615	9,347	9,347
Cash and cash equivalents at the end of period	69,023	38,332	18,615

Overview of financial performance (SEKk)

An overview of the financial performance of XMReality AB (publ) for the period of January-March 2021 and for the full years of 2017 - 2020 is presented below. All figures for the financial years 2017-2020 are based on material taken from official, published annual reports.

	Jan - Mar	Full year			
	2021	2020	2019	2018	2017
Net sales	5,845	20,701	11,921	10,155	6,683
Operating profit (-loss)	-6,243	-24,623	-27,300	-29,250	-22,633
Profit (-loss) after net financial income	-6,254	-24,925	-27,364	-29,317	-22,741
Group contribution received	0	0	29	0	0
Profit (-loss) after appropriations	-6,254	-24,925	-27,335	-29,317	-22,741
Profit margin, %	neg	neg	neg	neg	neg
Intangible assets	12,681	13,452	16,039	14,754	12,458
Tangible assets	296	345	405	528	1,705
Financial assets	51	51	59	8	0
Inventories	370	255	184	261	306
Current receivables	6,394	8,964	6,792	5,978	6,014
Cash and bank balances	69,023	18,615	9,347	37,798	46,241
Equity	72,495	24,847	20,273	47,608	56,826
Non-current liabilities	50	50	383	844	1,535
Current liabilities	16,269	16,784	12,169	10,875	8,362
Total assets	88,814	41,681	32,826	59,327	66,724
Return on average capital employed, %	neg	neg	neg	neg	neg
Return on average equity, %	neg	neg	neg	neg	neg
Equity/assets ratio, %	81.6	59.6	61.8	80.2	85.2
Debt/equity ratio, multiple	0.00	0.01	0.04	0.04	0.04
Interest coverage ratio, %	neg	neg	neg	neg	neg
Quick ratio, %	463.6	164.3	132.6	402.5	624.9
Number of employees (end of period)	22	18	17	23	19
Investments					
Intangible assets	499	2,224	5,289	5,478	6,687
Tangible assets	0	125	32	140	1,908
Deposits	0	-8	51	8	0
Basic earnings (-loss) per share, before and after dilution, SEK	-0.18	-0.80	-1.60	-1.72	-1.56
Average number of shares during the period	35,691,333	31,063,699	17,050,000	14,982,648	13,175,227
Shares outstanding at the end of the period	40,920,000	34,100,000	17,050,000	17,050,000	14,607,982

Definition of key data

Equity	The sum of shareholder's equity, restricted reserves and non-restricted equity
Return on average capital employed	Profit or loss before interest expenses divided by average capital employed
Return on average equity	Profit or loss after tax divided by average equity
Equity/assets ratio	Equity divided by total assets
Dept/equity ratio	Interest-bearing liabilities divided by equity
Interest coverage ratio	Earnings before interest divided by interest expenses
Earnings per shares	Profit or loss after tax divided by average number of shares outstanding
Quick ratio	Cash and current assets excluding inventories divided by current liabilities
ARR (Annual Recurring Revenue)	The annual value of subscriptions subscribed with automatic renewal (provided no changes are made in the agreement).

Accounting policies

The year-end report is prepared in compliance with the Swedish Annual Accounts Act and BFNAR 2012:1 Annual and Consolidated Accounts (K3). The accounting policies have not changed compared to previously reported periods. Assets, provisions and liabilities have been valued at cost unless otherwise specified. Transactions denominated in foreign currency are converted at the spot rate in effect on the transaction date.

Risk factors and uncertainties

A number of risk factors could have negative impact on the business of XMReality AB (publ). It is therefore imperative to consider relevant risks alongside the Company's growth potential. Refer to the XMReality Annual Report 2020, pages 20-21, "risk factors" for a more detailed description of the risks associated with the Company and its stock.

The board of directors has assessed current and available liquidity as sufficient to assure continuing operation.

Stock

Shares in XMReality AB (publ) are listed on Nasdaq First North Growth Market. The stock ticker is XMR and the ISIN code is SE0009664188. At the end of the period, there were 40,920,000 shares outstanding in XMReality AB (publ). There is only one share class. Each share carries one vote.

There are three outstanding stock option plans, 2019/2022 carrying rights to subscribe for up to 107 748 shares, 2020/2023L carrying the rights to subscribe for up to 600 000 shares and 2020/2024S carrying rights to subscribe for up to 560 000 shares.

Appropriation of profits

The board have the attention not to propose any dividend at the Annual General Meeting.



Interim report January – March 2021

Auditor review

This interim report has not been reviewed by the company's auditor.

Submission of year-end report

The board of directors and chief executive officer certify and assure that this year-end report provides a true and fair view of the company's operations, financial position and earnings.

Financial reporting calendar:

Interim report Q2 2021	Thursday 12 August, 2021
Interim report Q3 2021	Thursday 21 October 2021
Year-end report 2021	Wednesday 16 February, 2022
Annual General Meeting (AGM)	Tuesday 4 May, 2021

All reports and minutes of the AGM will be published on www.xmreality.com/investors/

Linköping April 28th 2021

Board of Directors

Contact person at XMReality AB (publ):

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Disclaimer

As the company is noted in Sweden; should there be any discrepancies between this report and its Swedish version, the Swedish version prevail.